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FISCAL IMPACT STATEMENT

LS 6404

BILL NUMBER: HB 1157

NOTE PREPARED: Jan 4, 2011

BILL AMENDED:

SUBJECT: Horse Racing.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: The bill requires the Governor to appoint a member of the Breed Development Advisory Committee for each racing breed as a nonvoting member of the Indiana Horse Racing Commission (IHRC). The bill specifies that a permit holder must have 60 to 75 racing days for thoroughbreds and requires that at least 32 of those days must include quarter horse racing. It also requires at least two thoroughbred races per day that are restricted to Indiana horses. The bill provides that the IHRC may not use money deposited in a Breed Development Fund for its administrative expenses. It also provides that a breed development award must be paid within the six week period immediately following the race in which the award is earned.

Effective Date: July 1, 2011; January 1, 2012.

Explanation of State Expenditures: *Indiana Horse Racing Commission (IHRC) Membership:* (1) The bill adds three nonvoting members to the IHRC effective July 1, 2011. This membership change will increase the cost incurred by the IHRC for per diem and expense reimbursement for the Commission. The Biennial Budget provides for a salary per diem of \$50 per day. Assuming monthly meetings of the Commission, the additional per diem expense would be \$1,800, with additional indeterminable cost for reimbursement of travel and other expenses of these additional members.

The bill adds one nonvoting member each to be selected by the Governor from the membership of each breed development advisory committee (standardbred, thoroughbred, and quarter horse). Each nonvoting member would be entitled to the minimum salary per diem and reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties.

Payment of Breed Development Awards: The bill changes the current procedure used by the IHRC to pay breed development awards. Currently, the IHRC pays all breed development awards earned during a racing meet at the conclusion of the meet after all drug testing results from the meet have been received and cleared by the IHRC. The bill requires the IHRC to pay breed development awards to award winners within a 6-week period immediately following the race in which the award was earned.

This requirement would result in an administrative impact on the IHRC, but the IHRC should be able to implement it within its current resources. The requirement would likely increase the number of checks that the IHRC must process each year to pay the awards. In CY 2010, a total of 2,787 breed development awards were given out by the IHRC. However, since the IHRC makes payments to multiple winners in one check after each race meet, the number of payments issued totaled 966. Consequently, the bill could significantly increase the number of award checks issued by the IHRC.

Use of Money in Breed Development Funds: The bill prohibits the IHRC from using money deposited in a breed development fund to pay the cost of administering horse racing in Indiana. Current statute establishes separate breed development funds for standardbred purposes, thoroughbred purposes, and quarter horse purposes. The breed development funds receive revenue from breakage, outs tickets, slot machine gross receipts, and fees. The table below summarizes the total spending and spending on purse supplements and breeders awards from each fund during FY 2010.

	FY 2010 Expenditures From Fund		
Breed Development Fund	Purse Supplements & Owners/Breeders Awards	Administrative	Total
Standardbred	\$12,790,510	\$168,734	\$12,959,244
Thoroughbred	9,970,429	66,383	10,036,812
Quarter Horse	1,186,732	19,957	1,206,689

Background Information - Breed Development Awards: Currently, the IHRC sends vouchers to the State Auditor for all the awards won during a racing meet after it has concluded and once the drug testing results from the race meet have been received and cleared by the IHRC. The time frame for this is about two weeks. For instance, vouchers are expected to be sent to the State Auditor on November 5, 2010, for awards won at the Hoosier Park racing meet that concluded on October 24, 2010. It takes the State Auditor an additional one to two weeks to send the checks out to the award winners. The current process results in one check being issued to each individual who wins one or more awards during the race meet. The check covers all the awards that an individual wins during the racing meet, with a statement itemizing the awards and award amounts. Prior to 2010, the IHRC paid breed development awards on a weekly basis during the racing meets once drug testing results had been received and cleared by the IHRC. Consequently, checks were processed for each individual breed development award that an individual might earn during a racing meet.

Current statute requires a horse racetrack to have live racing for 140 to 165 days annually, with 80 to 90 days devoted to standardbred racing and 60 to 75 days devoted to thoroughbred/quarter horse racing. In 2009, Hoosier Park held an 80-day standardbred meet and a 63-day thoroughbred/quarter horse meet; and Indiana Downs held an 80-day standardbred meet and a 62-day thoroughbred/quarter horse meet.

Explanation of State Revenues: *Race Requirements for Thoroughbred Racing Days:* The bill requires each racetrack to: (1) hold quarter horse racing on at least 32 of the live racing days scheduled for thoroughbred horse racing; and (2) schedule two or more races on each thoroughbred racing day solely for Indiana owned horses, Indiana sired horses, Indiana bred horses, or any combination of the three. The potential impact of the requirements on revenue from pari-mutuel taxes is ambiguous and would depend the willingness of bettors to wager on such races and the potential for other simulcast races at the racetracks or off track betting facilities to substitute for these races. The parimutuel wagering tax is equal to 2% of the total amount wagered on live races and simulcast races at the racetracks, and 2.5% of the total amount wagered on simulcast races at off track betting facilities. This tax generated about \$3.2 M in FY 2010. The pari-mutuel satellite facility tax is 0.5% of the total amount wagered on simulcast races at off track betting facilities. In FY 2010, this tax generated about \$0.5 M.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IHRC.

Local Agencies Affected:

Information Sources: Auditor of State, FY 2010 Spending Account Trial Balance. Jessica Barnes, Indiana Horse Racing Commission, (317) 233-3120. Indiana Horse Racing Commission, 2009 Annual Report, <http://www.in.gov/hrc/2335.htm>.

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